GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:943
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Outsourcing of Work by PSBs
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Will the Minister of FINANCE be pleased to state:

(a) whether the Public Sector Banks (PSBs) are considering to outsource work to ease the work load;
(b) if so, the details thereof;
(c) whether the Reserve Bank of India (RBI) has instructed banks not to engage in outsourcing of banking activities that would result lying in their internal control business conduct or reputation being compromised or weakened; and
(d) if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance

(a) to (d): The Reserve Bank of India (RBI) had issued guidelines in 2006 on 'Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks'. These guidelines, inter-alia, stipulate that the Banks should not outsource their core management functions including internal audit, compliance functions and decision-making functions like determining compliance with Know-Your-Customer(KYC) norms for opening deposit accounts, according sanction of loans and management of investment portfolios. Accordingly, Public Sector Banks (PSBs) are outsourcing certain non-core activities.

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